Wesfarmers Curragh Pty Ltd
A.B.N. 90 009 362 565

Mr John Hall
Chief Executive Officer
Queensland Competition Authority

9 March 2012

By email

rail@qca.org.au

Dear Mr Hall

Draft Amending Access Undertaking – Electric traction services

This submission is provided in response to a request from the Queensland Competition Authority (**QCA**) for comments on a draft amending access undertaking submitted by QR Network Pty Ltd (**QR Network**) on 16 December 2011 in relation to electric traction.

In summary, QR Network propose:

(a) Combining the AT5 for the Goonyella and Blackwater systems; and

(b) Introducing a requirement that operators pay AT5 on at least 90% of services that can be run with an electric train service.

About Wesfarmers Curragh

Wesfarmers Curragh Pty Ltd (**Wesfarmers**) is the owner and operator of the Curragh mine.

Curragh produces approximately 8.5mtpa of export and domestic coal per year.

Curragh currently exports coal through RG Tanna and Barney Point. Upon the completion of the Wiggins Island coal terminal it will also export through Wiggins Island.

Wesfarmers' views about the amendments

Wesfarmers wholly supports the amendments proposed by QR Network.

In Wesfarmers view:

(a) Coal systems are becoming more and more inter-connected. The next stages of growth in capacity will centre around developments at the Port of Gladstone (in particular, Wiggins Island stage 1 and stage 2). Mine developments are further and further at the extremities of rail networks. It is likely that cross system traffic will materially increase. In light of this, joining the electric assets of each of the systems is appropriate.

(b) A decision was made some time ago to electrify the Blackwater system. Subsequently, users of the system have through the CRIMP process voted in favour of further upgrades to the electric assets. It would be unfair now to limit the parties that are responsible for sharing the costs of that approved infrastructure.

(c) It is usual for pricing arrangements to act as signals to investors. Modification of the AT5 in the manner proposed by QR Network will ensure that in the long term the Blackwater system remains competitive and has the full capability to handle material amounts of electric traction.

(d) Amending the AT5 in the manner proposed by QR Network does not in any way prevent users electing to use diesel traction. Nor will it affect the competitiveness of Pacific National. To the

extent that Pacific National says that it will be less competitive, that simply proves that electric traction is more efficient.

(e) The AT5 is at an unsustainably high level. As the electric infrastructure costs to fund expansions of the network increase so will the AT5. Some form of amendment is necessary to ensure that those cost effects are smoothed.

(f) Users of the Blackwater system, including Wesfarmers have long term haulage agreements. Current electric users of the Blackwater system are locked into using electric trains for the foreseeable future. Those users (including Wesfarmers) will be unfairly prejudiced if the AT5 charge is not smoothed.

(g) As is noted by QR Network:

  (i) Electric traction is more efficient than diesel because electric trains do not require provisioning time;

  (ii) Therefore fewer electric trains are required than diesel trains;

(h) Electric traction is more environmentally friendly. Critics of electric traction often allege that when the necessary electricity is sourced from fossil fuels all that is really happening is that the pollution is being shifted up the energy chain to the power station. However, we understand that research shows that even with low grade coal that produces a lot of carbon dioxide electric traction produces less carbon monoxide and hydrocarbons, resulting in a significant global air quality benefit.

(i) Other advantages of electric traction include:

  (i) lower running cost of locomotives;

  (ii) lower maintenance cost of locomotives;

  (iii) higher power-to-weight ratio, resulting in:

    (A) fewer locomotives;

    (B) faster acceleration;

    (C) higher practical limit of power;

    (D) less noise pollution (quieter operation);

    (E) reduced power loss at higher altitudes.

(j) electric traction is also independent from crude oil and independent from imported fuel. Electricity is a cheaper fuel than diesel.

(k) Electric traction provides an opportunity to use future alternative sources of electricity generation (such as solar and geothermal). Diesel traction does not have that flexibility.

(l) Energy consumption is more efficient when it comes from a common source (such as electricity) rather than from separate diesel trains.

We would be happy to expand on any of our views.

Yours sincerely

[redacted]

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Curragh is part of Wesfarmers **Resources**